



White Lake Area Solid Waste Authority
61-7513
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name White Lake Area Solid Waste Authority	County Muskegon
Audit Date 6/30/04	Opinion Date 8/10/04	Date Accountant Report Submitted to State: 8/26/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong PLC			
Street Address 500 Terrace Plaza		City Muskegon	State MI
Accountant Signature <i>Timothy J. Carter, C.P.A. for Brickley DeLong, P.C.</i>		ZIP 49443	Date 8/26/04

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS	i - iii
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

White Lake Area Solid Waste Authority Management's Discussion and Analysis

This section of the White Lake Area Solid Waste Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2004. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Lake Area Solid Waste Authority financially as a whole. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Financial Statements

Statement of net assets

Statement of revenues, expenses and changes in net assets

Statement of cash flows

Notes to the Basic Financial Statements

(Required Supplemental Information)

The statement of net assets provides balance as of the end of the reporting period. The statement of revenues, expenses, and changes in net assets provides information related to the activities of the Authority during the year. The statement of cash flows presents detailed information about the Authority's cash collection and disbursement.

Financial Overview

Recall that the statement of net assets provides the perspective of the Authority as a whole. The following table provides a comparison of the Authority's net assets as of June 30, 2004 and June 30, 2003

Statement of Net Assets	2004	2003
Assets		
Current and Other Assets	\$33,336	\$25,597
Capital Assets	584	715
Total Assets	\$33,920	\$26,312
Liabilities		
Current Liabilities	15,744	6,097
Net Assets		
Invested in Capital Assets – Net of Related Debt	584	715
Unrestricted	17,592	19,500
Total Net Assets	\$18,176	\$20,215

White Lake Area Solid Waste Authority Management's Discussion and Analysis

The above analysis focuses on the net assets. The change in net assets (see table below) of the Authority's governmental activities is discussed below. The Authority's net assets were \$18,176 at June 30, 2004. Capital assets, net of related debt totaling \$584, compares the original cost (less depreciation) of the Authority's capital assets. The remaining amount of net assets \$17,592 was unrestricted.

The \$17,592 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used to provide working capital and cash flow requirements as well as providing for future uncertainties.

The results of this year's operations for the Authority are reported in the statement of activities, which shows the changes in net assets for fiscal year 2004.

<u>Statement of Activities</u>	<u>2004</u>	<u>2003</u>
Operating revenues		
Charges for Services	\$74,223	\$53,972
Operating expenses		
Salaries and fringe benefits	9,411	8,536
Contracted services	61,060	47,826
Telephone	361	387
Professional fees	1,475	1,375
Insurance and bonds	1,817	1,709
Administrative services	1,500	1,500
Repairs and maintenance	185	96
Depreciation	131	131
Other	441	192
	<u>76,381</u>	<u>61,752</u>
Operating loss	(2,158)	(7,780)
Nonoperating revenues		
Investment income	<u>119</u>	<u>273</u>
Net loss	(2,039)	(7,507)
Net Assets at beginning of year	<u>20,215</u>	<u>27,722</u>
Net Assets at end of year	<u>\$18,176</u>	<u>\$20,215</u>

White Lake Area Solid Waste Authority Management's Discussion and Analysis

Decrease in Net Assets

The Authority experienced a decrease in net assets of \$2,039. Key reasons for the change in net assets was the continued increase in cost. However, the operating loss this year did decrease from last year due to an increase in rates.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the Authority had \$584 (after accumulated depreciation) invested in a broad range of capital assets, including a buildings and transfer station equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$131 from last year.

	<u>2004</u>	<u>2003</u>
Transfer station	\$75,185	\$75,185
Buildings	3,068	3,068
Total Capital Assets	<u>78,253</u>	<u>78,253</u>
Accumulated depreciation	<u>77,669</u>	<u>77,538</u>
Total Assets, Net	<u>\$ 584</u>	<u>\$ 715</u>

There were no capital asset additions or deletions during the year.

Economic Factors

The Authority has slowly been utilizing net assets to cover its annual net losses. The net asset balance has been reduced to the point that the Authority will need to find additional revenue sources in the near future. The overall revenues and operating expenses are affected by the volume of usages. Any future rate increase will be closely monitored in relation to the overall Authority usage. The overall operating costs are also affected by general inflationary pressures.

BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 10, 2004

Board of Directors
White Lake Area Solid Waste Authority
Whitehall, Michigan

We have audited the accompanying financial statements as of and for the year ended June 30, 2004, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the White Lake Area Solid Waste Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

No accounting controls are exercised over fees for services prior to the initial entry of the fees in the accounting records. Accordingly, it was impracticable to extend our audits beyond the receipts recorded.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the cash collections of fees referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of White Lake Area Solid Waste Authority, as of June 30, 2004, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages i through iii are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Brickley DeLong, PLLC

White Lake Area Solid Waste Authority

STATEMENT OF NET ASSETS

June 30, 2004

ASSETS

CURRENT ASSETS

Cash and investments	\$ 25,643
Due from other governmental units	7,693
Total current assets	<u>33,336</u>

PROPERTY AND EQUIPMENT

Transfer station	75,185
Building	3,068
	<u>78,253</u>
Less accumulated depreciation	(77,669)
Net property and equipment	584
Total assets	<u>33,920</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	<u>15,744</u>
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NET ASSETS

Invested in capital assets, net of related debt	584
Unrestricted	17,592
Total net assets	<u>\$ 18,176</u>

The accompanying notes are an integral part of these statements.

White Lake Area Solid Waste Authority
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Year ended June 30, 2004

Operating revenues	
Fees for services	\$ 74,223
Operating expenses	
Salaries and fringe benefits	9,411
Contracted services	61,060
Telephone	361
Professional fees	1,475
Insurance and bonds	1,817
Administrative services	1,500
Repairs and maintenance	185
Depreciation	131
Other	441
	<u>76,381</u>
Operating loss	(2,158)
Nonoperating revenues	
Investment income	<u>119</u>
NET LOSS	(2,039)
Net assets at July 1, 2003	<u>20,215</u>
Net assets at June 30, 2004	\$ <u><u>18,176</u></u>

The accompanying notes are an integral part of these statements.

White Lake Area Solid Waste Authority

STATEMENT OF CASH FLOWS

Year ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 68,478
Payments to suppliers	(57,192)
Payments to employees	(9,411)
Net cash provided by operating activities	<u>1,875</u>

CASH FLOW FROM INVESTING ACTIVITIES

Investment income	<u>119</u>
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INCREASE IN CASH AND INVESTMENTS 1,994

Cash and investments at beginning of year 23,649

Cash and investments at end of year \$ 25,643

CASH FLOWS FROM OPERATING ACTIVITIES

Operating loss	\$ (2,158)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	<u>131</u>
Funds for operations	(2,027)
(Increase) decrease in operating assets	
Due from other governmental units	(5,745)
Increase (decrease) in operating liabilities	
Accounts payable	<u>9,647</u>
Net cash provided by operating activities	\$ <u><u>1,875</u></u>

The accompanying notes are an integral part of these statements.

White Lake Area Solid Waste Authority
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the White Lake Area Solid Waste Authority (Authority's) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance. The more significant of the Authority's accounting policies are described below.

Effective July 1, 2003, the Authority adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Authority's activities.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

1. Report Entity

The White Lake Area Solid Waste Authority is incorporated under the provisions of Act 179, Public Acts of Michigan, as amended, for the purpose of the collection and disposal of garbage and rubbish for citizens of its constituent municipalities, the Cities of Whitehall and Montague, the Townships of Blue Lake, Montague, Whitehall, and White River.

Each of the municipalities participating in the Authority share the cost of operating and financing it. Initial capital requirements for construction of the transfer station and annual operating contributions are allocated to the municipalities in proportion to their respective populations. In addition, operating costs of the Authority are partially funded by user fees.

2. Basis of Accounting

Financial activities of the Organization are accounted for using the accrual basis of accounting.

White Lake Area Solid Waste Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

b. Capital Assets

Capital assets, which include plant and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Transfer station	10-20

NOTE B—DEPOSITS AND INVESTMENTS

1. Deposits

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of June 30, 2004, the Authority's carrying amount of deposits was \$3,659 and the bank balance was \$3,607. The bank balance was covered by federal depository insurance.

White Lake Area Solid Waste Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2004

NOTE B—DEPOSITS AND INVESTMENTS—Continued

2. Investments

As of June 30, 2004, the Authority's investments represented holdings in investment pools and mutual funds. During the year ended June 30, 2004, the Authority's investments were only in this type of investment. As of June 30, 2004, the Authority's investments represented holdings in investment pools and mutual funds. During the year ended June 30, 2004, the Authority's investments were only in this type of investment.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Authority's or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of June 30, 2004, the Authority's fair value in those pools and mutual funds was \$21,984.

NOTE C—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Capital assets, being depreciated:				
Buildings	\$ 3,068	\$ -	\$ -	\$ 3,068
Transfer station	<u>75,185</u>	<u>-</u>	<u>-</u>	<u>75,185</u>
Total capital assets, being depreciated	<u>78,253</u>	<u>-</u>	<u>-</u>	<u>78,253</u>
Less accumulated depreciation for:				
Buildings	2,712	59	-	2,771
Transfer station	<u>74,826</u>	<u>72</u>	<u>-</u>	<u>74,898</u>
Total accumulated depreciated	<u>77,538</u>	<u>131</u>	<u>-</u>	<u>77,669</u>
Capital assets, net	\$ <u>715</u>	\$ <u>(131)</u>	\$ <u>-</u>	\$ <u>584</u>

NOTE D—RELATED PARTY TRANSACTIONS

The Authority pays an administrative fee to the City of Montague, a participating governmental unit, for allocated City employee wages and fringe benefits. The fees incurred for the year ended June 30, 2004 was \$1,500.

White Lake Area Solid Waste Authority
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2004

NOTE E—RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance coverage in the prior three years.